

Internal Revenue Service

Department of the Treasury

District
Director

Person to Contact:

Telephone Number:

Refer Reply to:

Date:

JUN 19 1985

Dear Sir or Madam:

We have considered your application for exemption from Federal income tax as an organization described in section 501(c)(6) of the Internal Revenue Code of 1954.

Section 1.501(c)(6)-1 of Income Tax Regulation states, in part, as follows:

"A business league is an association of persons having some common business interest, the purpose of which is to promote such common interest....It is an organization of the same general class as a chamber of commerce or board of trade. Thus, its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons."

The applicable Income Tax Regulations provide that organizations contemplated by section 501(c)(6) of the 1954 Code are those whose activities are directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individuals. Therefore, an organization which directs a substantial portion of its over-all activities to the issuance of advertising material containing listings of the names of individuals may be precluded thereby from qualification for exemption under section 501(c)(6) of the Code.

It is the position of the Service that publication of advertising that carries the names of its members and their merchandise constitutes the performance of particular services for members rather than an activity directed to the improvement of business conditions. See Revenue Ruling 64-315, C. B. 1964-2, P. 147.

Also Revenue Ruling 59-391, C.B. 1959-2, p. 151 states that an organization composed of individuals, each representing a different trade, business, occupation or profession, created for the purpose of exchanging information on business prospects, is not exempt under IRC 501(c)(6). It was concluded that this type of organization has no common business interests other than a mutual desire to increase their individual sales.


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On the basis of all the evidence presented, it appears evident that your activities are not directed to the improvement of business conditions of one or more lines business, but rather to the promotion of the private interests of its members.

We have concluded that you do not qualify for exemption from Federal income tax as an organization described in section 501(c)(6) of the Internal Revenue Code. Accordingly, you are required to file income tax returns on Form 1120, annually, with your District Director.

If you are in agreement with this proposed determination, we request that you sign and return the enclosed agreement Form 6018. Please note the instructions for signing on the reverse side of this form.

If you are not in agreement with this proposed determination, we recommend that you request a hearing with our office of Regional Director of Appeals. Your request for a hearing should include a written appeal giving the facts, law, and any other information to support your position as explained in the enclosed Publication 892. You will then be contacted to arrange a date for a hearing. The hearing may be held at the office of Regional Director of Appeals or, if you request, at a mutually convenient District Office. A self-addressed envelope is enclosed.

Sincerely yours,

District Director

Enclosures:
Publication 892
Form 6018